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Nos. 14-1513 and 14-1520

In the Supreme Court of the United States

HALO ELECTRONICS, INC.,

Petitioner,

v.

PULSE ELECTRONICS, INC., ET AL.,

Respondents.

STRYKER CORPORATION, ET AL.,

Petitioners,

v.

ZIMMER, INC., ET AL.,

Respondents.

On Writs of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

BRIEF OF BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

ANDREW J. PINCUS
Counsel of Record
PAUL W. HUGHES
Mayer Brown LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000
apincus@mayerbrown.com

Counsel for Amicus Curiae

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INTEREST OF THE *AMICUS CURIAE*

BSA | The Software Alliance is an association of the world's leading software and hardware technology companies. It promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies.

BSA's members advocate a balanced approach to patent enforcement litigation. BSA members are among the Nation's leading technology companies, producing much of the hardware and software that power computer and telecommunication networks. As a result, they are frequently targets of unjustified patent lawsuits. BSA members also are leading innovators that hold tens of thousands of patents. BSA members are thus deeply concerned with maintaining the appropriate value of their substantial intellectual property assets.[1]

The members of BSA include Adobe Systems, Altium, ANSYS, Apple, Autodesk, Bentley Systems, CA Technologies, CNC Software-Mastercam, DataStax, Dell, IBM, Intuit, Microsoft, Minitab, Oracle, PTC, SAS Institute, Salesforce, Siemens PLM Software, Symantec, Tekla, The MathWorks, and Trend Micro.

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[1] Pursuant to Rule 37.6, *amicus* affirms that no counsel for a party authored this brief in whole or in part and that no person other than *amicus* and its counsel made a monetary contribution to its preparation or submission. The parties' letters consenting to the filing of this brief have been filed with the Clerk's office.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Patent Act carefully balances two important interests—"the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy." *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

Compensatory damages ensure that a patentee is made whole upon a showing of patent infringement. Enhanced damages punish extraordinarily wrongful conduct and thereby deter others from engaging in such violations. The standard for enhanced damages therefore should promote the goals of the Patent Act, not thwart them.

Shortly after Congress eliminated automatic trebling of patent infringement awards, this Court held that enhanced damages are available "where the injury is wanton or malicious." *Seymour* v. *McCormick*, 57 U.S. (16 How.) 480, 489 (1854).

The current Federal Circuit standard permits enhanced damages only upon a showing of both objective and subjective wrongfulness: "that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent" and that "this objectively-defined risk * * * was either known or so obvious that it should have been known to the accused infringer." *In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (2007).

Petitioners and their *amici* argue that enhanced damages should be available based upon consideration of the "totality of the circumstances," including

proof of "willful" infringement, which requires the plaintiff to show only that the defendant acted "recklessly" or engaged in bad-faith litigation conduct. Petitioners' standards are in practical effect equivalent to the pre-*Seagate* rule that imposed enhanced damages if the defendant knew of the asserted patent and failed to investigate whether the patent was valid and whether the defendant's actions constituted infringement.

That approach will significantly impede innovation. *First*, it encourages unjustified litigation and coerced settlements without regard to the underlying merits—diverting resources into litigation and away from investment in innovation. *Second*, innovation almost always results from building on past inventions, but the legal rules proposed by petitioners will deter innovators from keeping up with changes in technology by reading relevant patents—for fear that "knowledge" of the patent will support an enhanced damages claim.

This Court's precedents preclude that result. An enhanced damages award requires proof that the defendant actually knew of the existence of the asserted patent and actually knew that its actions infringed the patent. Moreover, proof that the defendant's actions were objectively reasonable bars enhanced damages, because the actual knowledge standard cannot be satisfied when the defendant's actions are objectively reasonable.

ARGUMENT

Enhanced Damages Are Available Only For Extraordinarily Wrongful Infringement.

A. The Nebulous Standards Advocated By Petitioners And Their *Amici* Would Significantly Impede Innovation.

Petitioners and their *amici* propose a variety of standards for awarding enhanced damages, but all of their tests share two key characteristics. *First*, they would make such claims far easier to assert and much less susceptible to pretrial dismissal because each requires assessment of the totality of the circumstances under a vague legal standard.

Second, the proposed standards will open the door to claims based solely on proof that the defendant was aware of the patent and continued to produce the infringing article. In practical effect, that reintroduces the standard overturned in *Seagate*.

These standards will have very substantial adverse consequences: coercing unjustified settlements that divert resources into litigation, and preventing innovators from building on prior inventions by deterring them from reading relevant patents—for fear that "knowledge" of the patent will support an enhanced damages claim.

1. *The standards proposed by petitioners and their* amici *will permit few pretrial dismissals and have the same practical effect as the pre-*Seagate *test.*

Under the enhanced damages standards proposed by petitioners and their *amici*, a plaintiff's eligibility for enhanced damages would be based on an

assessment of the "totality of the circumstances" to determine whether the defendant's actions were sufficiently culpable, measured against one of several vague standards. For example:

- Petitioner Halo states that a court should "balance all relevant factors" (Br. 2) and impose enhanced damages "whenever the circumstances require it." *Id.* at 10. Those "circumstances" could include "bad faith infringement" (*ibid.*); imposition of "unnecessary expense and burden on the patent holder" (*ibid.*); "culpable conduct" (*id.* at 18); "purposely ignoring a patentee's attempts to license" (*ibid.*); "failing to investigate a known patent" (*id.* at 27); and "any actions the defendant took that inflicted further expense on the plaintiff" (*ibid.*).

- In petitioner Stryker's view, a court should consider "the totality of the circumstances" (Br. 14) and award enhanced damages when the defendant's "conduct demonstrated heightened culpability or wrongfulness, typically beyond mere negligence." *Id.* at 33.

- The United States asserts that enhanced damages are appropriate whenever conduct is "egregious." Br. 7. Although "[t]he paradigmatic enhanced-damages case" is when "the defendant deliberately copied the plaintiff's patent invention, despite (1) being aware of the patent, and (2) lacking any contemporaneous, good-faith belief that the copying was authorized or otherwise lawful" (*id.* at 18), "deliberate copying" is not required:

> "bad faith" or "reckless conduct" justifies an award of enhanced damages.

These vague standards would make enhanced damages claims easy for plaintiffs to assert and extremely difficult for defendants to defeat prior to trial. A judge obligated to consider the totality of the circumstances to determine whether a defendant acted "egregiously" would be hard-pressed to grant a motion to dismiss or a motion for summary judgment.

Even more significant, these standards would permit claims for enhanced damages based on proof that a defendant was aware of the plaintiff's patent and continued to produce or sell the allegedly infringing product.

Thus, petitioner Stryker states that enhanced damages may be awarded if "the defendant continued to infringe after it knew or reasonably should have known of the patent." Br. 38. The key inquiry under this proposal is whether the defendant "reasonably investigated and evaluated the possibility of infringement." *Ibid.* Accord Halo Br. 27 (enhanced damages available for "failing to investigate a known patent"); U.S. Br. 20 (enhanced damages available "if the defendant initially develops its own product independently, but continues to make and sell it even after becoming aware that it is covered by a competitor's valid patent").

These standards are substantively equivalent to the enhanced damages standard that prevailed prior to *Seagate*. In *Underwater Devices Inc.* v. *Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983), the Federal Circuit had held that, "[w]here

* * * a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing."

The tests proposed by petitioners and their *amici* are similarly satisfied by evidence that a defendant was aware of the patent it subsequently was found to infringe. Even though some of petitioners' tests do not expressly incorporate a duty to investigate, they will in fact impose one, because a defendant that fails to investigate will be labeled a "culpable" "willful" infringer. The only way for a company to defend itself from this charge will be to show that—at the time that it learned of the patent—it investigated the patent and formed a good faith defense to infringement, precisely what *Underwater Devices* required.[2]

Moreover, the threshold requirement under these standards—that the defendant "know" of the asserted patent—will not restrict the availability of en-

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[2] The United States recognizes that "[a]n innocent infringer who did not intentionally copy a patented invention or engage in other willful, bad-faith, or aggravated misconduct" should be able to avoid enhanced damages. U.S. Br. 20-21. But the liability standard that it proposes—whether the defendant's conduct was "egregious"—does not permit such fine distinctions. And the United States would limit this defense to liability to situations in which the defendant investigated the risk of infringement liability at the time it first learned of the patent; a defense formed later, such as in response to a claim of patent infringement, does *not* bar enhanced damages in the government's view. See *id.* at 27-28. The government thus endorses liability when the defendant (1) knows about a patent that is later shown to infringe, and (2) failed to form a contemporaneous, objectively-reasonable basis as to why its conduct does not infringe that patent.

hanced damages. The plaintiff will not be limited to relying on a demand letter from the patent holder that specifies both the asserted patent and the allegedly infringing article. Rather, plaintiffs will argue, with some support in decided cases, that other evidence of "knowledge" suffices:

- Citation of the asserted patent by the defendant or examiner during the defendant's earlier prosecution of a patent application, even if the defendant's patent is wholly unrelated to the allegedly infringing product. See, *e.g.*, *Radware, Ltd.* v. *F5 Networks, Inc.*, 2015 WL 7960004, at *29 (N.D. Cal. 2015).

- Evidence that one of the defendant's employees read or even just downloaded the patent—even if the employee was uninvolved in the development of the allegedly infringing article. See, *e.g.*, *Stryker Corp.* v. *Intermedics Orthopedics, Inc.*, 96 F.3d 1409, 1415-16 (Fed. Cir. 1996).

- Inclusion of a patent on a lengthy list of patents that are supposedly essential for a standard. See, *e.g.*, *Toshiba Corp.* v. *Imation Corp.*, 990 F. Supp. 2d 882, 909 (W.D. Wis. 2013) (inclusion of the two patents in suit on a "haystack" list of 360 purportedly standard essential patents for DVD discs "perhaps * * * establishes that defendants *should* have known what the patents in suit covered * * *.").

- Employment by the defendant of a named inventor of the asserted patent. See, *e.g.*, *Advanced Data Access LLC* v. *Nanya Tech.*

Corp., 2012 WL 10873894, at *3-4 (E.D. Tex. 2012).

- Discussion of the asserted patent at an industry conference attended by one of the defendant's employees. See, *e.g.*, *Nat'l Inst. for Strategic Tech. Acquisition & Commercialization* v. *Nissan of N. Am.*, 2012 WL 3600289, at *4-5 (E.D. Mich. 2012).

- Evidence that the asserted patent is well-known to those in the industry. See, *e.g.*, *Investpic, LLC* v. *FactSet Research Sys., Inc.*, 2011 WL 4591078, at *2 (D. Del. 2011).

- Evidence that the defendant is aware of a competing product manufactured or licensed by the patentee, or even of an unrelated product, that is marked with the asserted patent. See, *e.g.*, *Finjan, Inc.* v. *Sophos, Inc.*, 2015 WL 7075573, at *4 (N.D. Cal. 2015).

- Virtual marking, authorized by 35 U.S.C. § 287, enables the patentee to list on a website (rather than on the product) the patents covering its products, which permits a patentee to continuously expand the list of patents covered. A single product is often marked as protected by hundreds of patents.

In sum, the standards advocated by petitioners and their *amici* will throw open the door to assertion of claims for enhanced damages.

2. *The proposed enhanced damages standards will deter innovation and impose very substantial unjustified costs.*

If adopted by this Court, the standards proposed by petitioners and their *amici* will have significant adverse effects.

First, the increased leverage provided by a vague standard governing enhanced damages—including the cost and uncertainty of a trial to resolve enhanced damages claims—means that more defendants will pay settlements to avoid the risk of draconian liability, even if the underlying infringement claim lacks merit. Those increased costs will divert resources that otherwise could be used to fund creation of new products, services, and jobs.

Patent verdicts can be extremely large. Compensatory awards often reach nine figures, and verdicts have occasionally reached a billion dollars or more. Chris Barry et al., *2015 Patent Litigation Study* (2015). Indeed, the *Stryker* case at issue here involves a total verdict exceeding $210 million.

Doubling or trebling those compensatory damages yields enormous sums. "[R]ecent compensatory damages awards * * * [have] rais[ed] the possibility of an enhancement in the range of hundreds of millions of dollars." Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After* In Re Seagate*: An Empirical Study*, 97 Iowa L. Rev. 417, 422 (2012).

The potential enormity of the claims provides patentees with substantial leverage, regardless of the merits of the underlying infringement claim. The Court has recognized this "danger of vexatious litiga-

tion" in a variety of contexts in which expansive liability combines with vague or unduly expansive liability standards. *Blue Chip Stamps* v. *Manor Drug Stores*, 421 U.S. 723, 740 (1975). Accord *Shady Grove Orthopedic Assocs., P.A.* v. *Allstate Ins. Co.*, 559 U.S. 393, 445 n.3 (2010) (Ginsburg, J., dissenting) ("[a] court's decision to certify a class * * * places pressure on the defendant to settle even unmeritorious claims").

The same phenomenon applies in patent cases. See, *e.g.*, Scott Baker, *Can the Courts Save Us From the Patent Crisis?*, 88 Tex. L. Rev. 593, 598 (2010) (describing how entities will "use[] the threat of a punitive remedy" like treble damages "to extract a settlement that exceeds what [they] would have gotten if [they] licensed [their] patent *ex ante*").

Indeed, it is a particular threat in the patent context, where, as this Court has recognized on multiple occasions, "an 'industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.'" *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (quoting *eBay, Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) Kennedy, J., joined by Stevens, Souter, and Breyer, JJ., concurring)). "For these firms," litigation "can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent." *eBay, Inc.*, 547 U.S. at 396 (Kennedy, J., concurring).

A recent report assessing claims by these nonpracticing entities confirmed that patent owners may seek "to settle out of court for amounts that have not so much to do with the economic value of their pa-

tents or the probability that they have infringed," because settlements are "affected more by the parties' relative opportunity costs of going to trial and attitudes towards risk." Executive Office of the President, *Patent Assertion & U.S. Innovation*, at 6 (2013), http://tinyurl.com/lvk6ajl. Because the non-practicing entity has little at stake other than legal fees, and much to gain, it will be much more willing to go to trial than the defendant—and therefore can force an unjustified settlement, particularly when the downside risk to the defendant includes an award of multiple damages.

Use by plaintiffs of this increased leverage to coerce unjustified settlements will not be a one-off phenomenon. Every plaintiff will want this "benefit"—and claims for enhanced damages will be asserted in almost every patent.

That is what happened prior to *Seagate*, under the *Underwater Devices* regime. Now-Judge Moore documented that over 90% of complaints contained allegations of willful infringement. Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 Fed. Cir. B.J. 227, 232 (2004). See also Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421, 1441 (2009) (over 80%). As the National Research Council observed, "willfulness is asserted in most cases * * * [and] often overshadow[s] the litigation." Committee on Intellectual Property Rights in the Knowledge-Based Economy, National Research Council, *A Patent System for the 21st Century* 118 (Merrill et al. eds., 2004) ("*NRC Report*").

The increased costs to the companies targeted in these lawsuits—significantly greater legal fees, dis-

covery costs, and large settlement payments—inflict serious harm on our economy. Funds earmarked for investments to create new products or services will be diverted to legal budgets, decreasing innovation and job creation. And some costs will be passed on to consumers, resulting in higher prices for goods and services.

Second, the legal standards advocated by petitioners and their *amici* will undermine the patent law's critical function of disseminating information about technological advances.

If evidence that even one engineer has viewed or downloaded or otherwise learned about a patent could be the "smoking gun" sufficient to show "knowing infringement" (see page 8, *supra*), then companies will respond by directing their employees not to read the patents of others.

But sharing inventions is essential for further innovation. Isaac Newton's famous acknowledgment, "[i]f I have seen further, it is by standing on the shoulders of giants" recognized that fact. 1 The Correspondence of Isaac Newton: 1661-1675, at 416 (Turnbull ed., 1959). Thomas Edison's invention of the low-cost, long-lasting incandescent light bulb rested on his unique combination of prior discoveries in this area. Dep't of Energy, *The History of the Light Bulb* (Nov. 22, 2013), http://goo.gl/LFqxOU. See also Suzanne Scotchmer, *Standing on the Shoulders of Giants: Cumulative Research and the Patent Law*, 5 J. Econ. Perspectives 29 (1991) ("Most innovators stand on the shoulders of giants, and never more so than in the current evolution of high technologies, where almost all technical progress builds on a foundation provided by earlier innovators.").

That is why "[t]he disclosure required by the Patent Act is 'the quid pro quo of the right to exclude.'" *J.E.M. Ag Supply, Inc.* v. *Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 142 (2001). That disclosure is the lifeblood of future innovation.

The legal standards proposed by petitioners and their *amici*, however, give companies a weighty incentive to *prevent* engineers and inventors from reading patents. That is precisely what happened when the *Underwater Devices* standard governed enhanced damages. The National Research Council in 2004 described the "perverse * * * consequences" of the *Underwater Devices* standard: "exposure to claims of willful infringement has led to a practice of deliberately avoiding learning about issued patents, a development sharply at odds with the disclosure function of patent law." *NRC Report* at 119. The legal standard

> creates a strong disincentive to read patents, irrespective of whether any infringement allegations are made. The mere existence of the doctrine in its current form means that any time an individual or company learns of a patent that might bear on its products, the company is at risk.

Ibid. Indeed, "in-house counsel and many outside lawyers regularly advise their clients not to read patents if they can avoid it." *Ibid.* Accord Fed. Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, Ch. 5, at 30 (Oct. 2003) ("*FTC Report*"), http://tinyurl.com/6wk4p.

The result was a chill on innovation, because a ban on examining patents could "significantly interfere with gaining the knowledge of others' patents necessary for planning a noninfringing business or research strategy." *Ibid.* See also Thomas F. Cotter, *An Economic Analysis of Enhanced Damages and Attorney's Fees for Willful Patent Infringement*, 14 Fed. Cir. B.J. 291, 318 (2004) ("the prospect of incurring enhanced damages liability may overdeter firms from designing around or otherwise coming close to (but not overstepping) the patent boundary").

Petitioner Stryker and others suggest that a company could avoid this risk by obtaining an opinion-of-counsel letter for each possibly implicated patent—stating that the company's proposed course of action would not constitute infringement. See Stryker Br. 41-42. But that "solution" simply creates more problems.

To begin with, opinion of counsel letters are expensive. The *Underwater Devices* regime created "a cottage industry of lawyers providing such opinions at a cost ranging from $10,000 to $100,000 per opinion." *NRC Report* at 118-119.

These costs are compounded by a number of factors. A single device or software program can potentially implicate large numbers of patents. For example, "a given semiconductor product * * * will often embody hundreds if not thousands of 'potentially patentable' technologies." Bronwyn H. Hall & Rosemarie Ham Ziedonis, *The Patent Paradox Revisited: An Empirical Study of Patenting in the U.S. Semiconductor Industry, 1979–1995*, 32 Rand J. Econ. 101, 110 (2001).

Moreover, because of the complexity of modern supply chains, one company may receive a demand letter about a component incorporated into its end products, but not have first-hand insight into that component—information that is critical to make informed decisions about patent validity and infringement.

Finally, the potential relevance of a patent to a planned device or computer-implemented innovation (such as a software program) often is not evident from its face—plaintiffs in infringement actions press broad, unanticipated constructions of patent terms. And a company may be said to have knowledge of a patent if it is read by one engineer, even though that engineer (who may be one of thousands) does not work on the product that is later asserted to infringe the patent.

For these reasons, the answer suggested by petitioners—that a company should evaluate and then seek a license for every possible relevant patent of which it could be said to be aware—would impose an impossible burden. A company cannot practically evaluate the validity and applicability of the thousands of patents about which it could be subsequently be said to have actual or constructive knowledge. A company cannot predict the broad ways in which a patentee may attempt to interpret its claims in order to assert a case for infringement. And a company could not afford to license every patent possibly falling within these two broad categories without raising the cost of innovation very significantly.

Innovative companies therefore will often have no realistic alternative other than instructing their engineers not to look at patents, depriving them of

the beneficial public notice function of the patent system. And, when engineers or others do look at patents, the company may be forced to pay enormous sums for advice-of-counsel letters, the vast majority of which will never see the light of day.[3]

The Federal Trade Commission concluded that the *Underwater Devices* standard "introduce[d] unnecessary uncertainty, raise[d] risks, and reduce[d] efficiency." *FTC Report*, Ch. 5, at 30. This Court should not endorse a legal rule for enhanced damages that will have precisely the same adverse effects.

B. Section 284's Enhanced Damages Standard Requires A Patentee To Establish Highly Culpable Infringement.

Petitioners and their *amici* employ a variety of vague terms in their standards for enhanced damages—for example, "willful", "culpable", "heightened culpability", and "wrongfulness." But these terms provide no real guidance in determining which conduct merits enhanced damages, and instead will create uncertainty as lower courts make wholly subjective judgments and then apply the appropriate label.

Most important, none of these terms appears in Section 284. Petitioners and their *amici* cherry-pick words from judicial opinions, or other sources, that

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[3] Congress barred plaintiffs from using the failure of a defendant to acquire a contemporaneous opinion-of-counsel letter as *affirmative* evidence of willful infringement. See 35 U.S.C. § 298 (added by Section 17(a) of the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29 (2011)). But an opinion of counsel would be an essential part of the *defense*—to show that the defendant acted in good faith in proceeding notwithstanding its knowledge of the asserted patent.

predated the 1952 enactment of this provision, and then attempt to base the enhanced damages standard on the meaning of one or two words alone—as if they *did* appear in Section 284.

That makes no sense. The relevant question is how the courts making enhanced damages rulings prior to 1952 understood those terms *in the context of their enhanced damages determinations*, not how the terms might be understood in isolation today. "Willful" in these decisions is thus a shorthand for the standard that those cases apply, not a statutory term to be interpreted without reference to the facts of those cases.

Before turning to that inquiry, however, it is important to note that Congress very recently made clear its view of the proper enhanced damages inquiry by *enacting* statutory language. Section 298 of the Patent Act, added in 2011 by the AIA, provides:

> The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer *willfully infringed* the patent or that the infringer intended to induce infringement of the patent.

35 U.S.C. § 298 (emphasis added).

This provision plainly addresses enhanced damages claims. As discussed above, that is the context in which opinion-of-counsel questions have arisen. And the Federal Circuit's *Seagate* decision, which governed enhanced damages at the time the AIA was enacted, characterized "willful infringement" as the

standard: "an award of enhanced damages requires a showing of willful infringement." *In re Seagate Tech.*, 497 F.3d 1360, 1368 (Fed. Cir. 2007).[4]

By enacting Section 298 to address enhanced damages claims and specifically referencing *Seagate*'s standard, Congress made clear that its legislative action was premised on the existing legal standard—and ratified that standard. Cf. *Texas Dep't of Housing and Community Affairs* v. *The Inclusive Communities Project, Inc.*, 135 S. Ct. 2507, 2520 (2015) ("The [1988 Fair Housing Act] amendments included three exemptions from liability that assume the existence of disparate-impact claims. The most logical conclusion is that the three amendments were deemed necessary because Congress presupposed disparate impact under the FHA as it had been enacted in 1968").[5]

If the Court rejects that approach, however, the pre-1952 decisions establish a similarly high bar for enhanced damages claims.

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[4] Congress was well aware of the *Seagate* standard and cited it repeatedly with approval during consideration of the AIA. See Zimmer Br. 26-30; Pulse Br. 22-25.

[5] The United States does not address this argument; it asserts only (Br. 27) that statements in the course of Congress's consideration of the AIA do not demonstrate ratification of *Seagate*. The government also points to a statement by Senator Kyl to the effect that Congress left preexisting standards undisturbed. U.S. Br. 27 n.21. At the time of the AIA, however, *Seagate* governed, and the Senator was making clear that Congress intended to leave *Seagate* in place.

1. The pre-1952 decisions codified in Section 284 require proof of an extremely high degree of culpability.

After Congress rendered enhanced patent damages permissive in the Patent Act of 1836, this Court stressed "the very great injustice" of the prior rule, which made enhancement mandatory regardless of the infringer's culpability. *Seymour*, 57 U.S. at 488. The mandatory rule treated a "defendant who acted in ignorance or good faith" on the same terms as "the wanton and malicious pirate." *Ibid.* Only "where the injury is wanton or malicious" would multiple damages be justified. *Id.* at 489.

That same year, in *Corning* v. *Burden*, 56 U.S. 252 (1854), the Court similarly explained that evidence "that the defendant has acted in good faith, and is not a wanton infringer of the plaintiff's rights" meant that the defendant "ought not * * * to be subjected to the same stringent and harsh rule of damages which might be justly inflicted on a mere pirate." *Id.* at 271. Cf. *Livingston* v. *Woodworth*, 56 U.S. 546, 560 (1853) (declining to award penalty in equitable action by patentee because the defendants were, "in no correct sense, wanton infringers").

The lower courts during this period also applied this Court's "wanton and malicious" standard to limit enhanced damages to intentional, egregious infringement. See, *e.g.*, *Morss* v. *Union Form Co.*, 39 F. 468, 474 (C.C.D. Conn. 1889) (increasing damages on account of "a willful or wanton violation of the complainants' exclusive rights"); *Burdell* v. *Denig*, 4 F. Cas. 695, 701 (C.C.S.D. Ohio 1865) ("wanton and persistent infringement"); *Sanders* v. *Logan*, 21 F. Cas. 321, 323 (C.C.W.D. Pa. 1861) ("A court of law

may treble such a verdict where the defendant has acted wantonly or vexatiously."); *Bell* v. *McCullough*, 3 F. Cas. 108, 109 (C.C.S.D. Ohio 1858) ("wanton and persevering infringers").

Indeed, *Seymour's* requirement of "wanton or malicious acts" sufficient to justify punishment was interpreted by the lower courts to require deliberate wrongdoing of the sort meriting criminal sanctions. See, *e.g.*, *Weston Elec. Instrument Co.* v. *Empire Elec. Instrument Co.*, 155 F. 301, 301 (C.C.S.D.N.Y. 1907); *Creagmile* v. *John Bean Mfg. Co.*, 32 F. Supp. 646, 648 (S.D. Cal. 1940) ("[w]e cannot agree * * * that the record justifies any finding of 'deliberate, willful and flagrant' infringement by defendants"), rev'd on other grounds, 123 F.2d 182 (9th Cir. 1941); *Clark* v. *Schieble Toy & Novelty Co.*, 248 F. 276, 284 (6th Cir. 1917) (denying treble damages where infringer "can scarcely be treated as having intended a willful injury"); *Expanded Metal Co.* v. *Gen. Fireproofing Co.*, 247 F. 899, 902 (N.D. Ohio 1917) (same).

Discussing the early cases, a treatise explained that "[i]n general it is necessary to show that the infringement was deliberate, wanton, and persistent" to recover enhanced damages, and "mere persistence if the case was a doubtful one has been held not ground for treble damages." 2 Walter Malins Rose, A Code of Federal Procedure, 1107-1108 (1907).

Congress codified this standard when it enacted Section 284 as part of the Patent Act of 1952. *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 654 (1983) (where "Congress has reenacted statutory language that the courts had interpreted in a particular way * * *, it may well be appropriate to infer that Congress intended to adopt the established judi-

cial interpretation"). Although the language of the provision was slightly altered, that was simply part of a "reorganization in language to clarify the statement of the statutes." *Id.* at 652 n.6. Cf. *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1753 (2014) (deeming similar 1952 alterations to section 285 nonsubstantive).

2. *Enhanced damages are available only if the plaintiff proves that the defendant actually knew it was engaging in infringement.*

A plaintiff seeking enhanced damages must prove, at a minimum, that the defendant actually knew it was infringing the plaintiff's patent. Petitioners and their *amici* are wrong in asserting that recklessness or some lesser standard is sufficient.

First, the pre-1952 cases in which enhanced damages were awarded consistently relied on proof that the defendants had actual knowledge of the infringing nature of their actions. See, *e.g.*, *Sutton* v. *Gulf Smokeless Coal Co.*, 77 F.2d 439, 442 (4th Cir. 1935) ("there was deliberate and willful infringement"); *Overman Cushion Tire Co.* v. *Goodyear Tire & Rubber Co.*, 66 F.2d 361, 362 (2d Cir. 1933) ("the infringement by the appellant was conscious and deliberate"); *Van Kannel Revolving Door Co.* v. *Uhrich*, 297 F. 363, 369 (8th Cir. 1924) ("the defendants persistently and willfully infringed the complainant's patent"); *National Folding-Box & Paper Co.* v. *Elsas*, 86 F. 917, 923 (2d Cir. 1898) (defendants were "deliberate" infringers); *Weston Elec. Instrument Co.*, 155 F. at 301 ("deliberate and intentional infringement"); *Nat'l Folding Box & Paper Co.* v. *Robertson's Estate*, 125 F. 524, 525 (C.C.D. Conn. 1903) (despite "a palpable infringement," defendant decided "in cold

blood, to fight to the last ditch, rather than pay any considerable sum" and "[i]n that battle the issue of noninfringement has never been suggested"); *Russell* v. *Place*, 21 F. Cas. 57, 58 (C.C.N.D.N.Y. 1871) ("the infringement seems deliberate and intentional").

Second, an analogous provision of the Patent Act specifies an actual knowledge requirement. Section 271(b) imposes liability on a person who "actively induces infringement of a patent." 35 U.S.C. § 271(b). This Court has concluded that active inducement requires "proof the defendant knew the acts were infringing." *Commil USA*, 135 S. Ct. at 1928. See also *Global-Tech Appliances, Inc.* v. *SEB S.A.*, 131 S. Ct. 2060, 2068 (2011). The Court specifically rejected a recklessness standard. *Id.* at 2071.

Inducement liability resembles enhanced damages in that both seek to identify acts that are wrongful based on the actor's mental state. It would be peculiar if the test for identifying "wanton" conduct leading to multiple damages were less demanding than the test for "active inducement" and single damages.[6]

Third, patent infringement is a strict liability cause of action: the plaintiff may prevail even if the defendant acted non-negligently and developed its invention independently. There accordingly is a significant risk that a recklessness standard could be

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[6] There is one difference between these two types of liability: a plaintiff seeking enhanced damages cannot prevail if the defendant demonstrates an objectively reasonable basis to challenge the patent's validity. *Commil*'s reliance on the presumption of validity is inapplicable in the enhanced damages context, because the plaintiff is seeking punitive damages, not compensation for infringement.

misapplied to impose liability only for negligence—because the contrast with the infringement liability standard would be significant even though it did not rise to the level of recklessness. The situation is significantly different than, for example, the typical tort context in which proof of negligence is required to establish liability and the contrast with a recklessness standard is clearer.[7]

Fourth, this Court has indicated that enhanced damages for infringement are a species of "punitive damages." *Tilghman* v. *Proctor*, 125 U.S. 136, 144 (1888).

At the time of this Court's decisions addressing the standard for enhanced infringement damages—the early and mid-Nineteenth Century—punitive damages required proof that the defendant actually knew that he was acting wrongfully. Thus, in *Smith* v. *Wade*, 461 U.S. 30 (1983), the Court divided over whether the law at that time obligated a plaintiff seeking punitive damages to show that the defendant acted with actual malice. Compare 461 U.S. at 39-41 (actual malice not required) with *id.* at 57 (Rehnquist J., joined by Burger, CJ., and Powell, J., dissenting) ("evil intent" required). But the majority did not dispute that proof of "[c]onsciousness of consequences or of wrongdoing" was required. *Id.* at 37

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[7] Recklessness is sufficient for enhanced damages in copyright, but there the basic cause of action requires proof of wrongful conduct—copying. See *Feist Publ'ns, Inc.* v. *Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991) ("To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.").

n.6. See also *ibid.* ("It is hard to see how [the plaintiff] could have disregarded or been indifferent to the danger to [the defendant] unless he was *subjectively conscious* of that danger.") (emphasis added).

Although modern formulations of the standard for punitive damages, such as that contained in the Restatement (Second) of Torts, permit awards of punitive damages based on proof of recklessness, they are irrelevant in ascertaining the standard set by this Court and lower courts in patent infringement cases in the nineteenth and early twentieth century. Cf. *Smith*, 461 U.S. at 57 (Rehnquist, J., joined by Burger, CJ., and Powell, J., dissenting) ("decisions of state courts in the last decade or so are all but irrelevant in determining the intent of the 42d Congress"). For the same reason, the Court's decisions interpreting the statutory term "willful" are irrelevant because that term does not appear in Section 284; rather, the holdings of the pre-1952 decisions govern, and they plainly adopt an actual knowledge standard.[8]

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[8] The government's reliance on the *Safeco* Court's interpretation of the term "willfully" in Fair Credit Reporting Act to encompass reckless misconduct is misplaced because it too relied on modern sources such as the Restatement (Second) of Torts. See *Safeco Ins. Co. of Am.* v. *Burr*, 551 U.S. 47, 69 (2007). And the *Safeco* Court specifically rejected reliance on the criminal-law definition of "willfulness"—that the defendant "acted with knowledge that his conduct was unlawful" (*id.* at 57 n.9)—but, here, precedent indicates that the criminal-law standard controls (see page 21, *supra*). Application of the criminal standard is therefore proper.

3. Proof that the defendant's actions were objectively reasonable bars enhancement.

This Court has long recognized that an objective reasonableness defense precludes an award of enhanced damages, because it negates actual knowledge. In *Livingston*, for example, the Court recognized that, because the defendants "*might well* have supposed" that they were not infringing upon the plaintiff's patent, "it would be peculiarly harsh and oppressive" to award punitive damages because they were "in no correct sense, wanton infringers." 56 U.S. at 560 (emphasis added).

Likewise, in *Teese* v. *Huntingdon*, 64 U.S. 2, 9 (1859), the Court noted that the defendants resisted the imposition of enhanced damages not by presenting evidence of their subjective intent but by "offer[ing] three depositions, each tending to prove that the plaintiffs were not the original and first inventors of the improvement described in their letters patent"—in other words, by offering an objectively reasonable defense to the charge of infringement.[9]

Lower courts similarly held that enhanced damages were permissible only when the defendant's legal position was objectively unreasonable, and should not be awarded merely because the defendant persisted in a "doubtful" case. See, *e.g.*, *W.S. Godwin Co.* v. *Int'l Steel Tie Co.*, 29 F.2d 476, 478 (6th Cir. 1928) ("a good faith contention that the patent is invalid is inconsistent with wanton infringement");

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[9] Halo's reliance (Br. 24-25) on *Topliff* v. *Topliff*, 145 U.S. 156, 174 (1892), is misplaced because the district court *declined* to enhance damages at all—and this Court affirmed.

Brown Bag Filling Mach. Co. v. *Drohen*, 175 F. 576, 577 (2d Cir. 1910) ("The defenses * * * presented debatable questions, and it cannot be said that the defendant's course was actuated by malice or bad faith."); *Toledo Computing Scale Co.* v. *Moneyweight Scale Co.*, 178 F. 557, 567 (C.C.N.D. Ill. 1910), aff'd, 187 F. 826 (7th Cir. 1911) ("After the reissue, the validity and novelty were debatable questions; and though the unfair competition was continued, even more unfairly than before, defendant undoubtedly considered the reissue an invalid one."); *Welling* v. *La Bau*, 35 F. 302, 304 (C.C.S.D.N.Y. 1888) (rejecting enhanced damages where "[t]he defendant unquestionably considered himself in the right, and was justified in pressing his views upon the attention of the master and the court"); *Smith* v. *Prior*, 22 F. Cas. 629, 632 (C.C.D. Cal. 1873) (declining to "double or treble these damages in view of the fact that there is reasonable ground of contest between these parties").

As Judge Learned Hand put it, enhanced damages were not available where "the validity of the patent remained open to honest question"; rather, "it must have been apparent" that the patent was valid. *Consol. Rubber Tire Co.* v. *Diamond Rubber Co. of New York*, 226 F. 455, 464 (S.D.N.Y. 1915), aff'd, 232 F. 475 (2d Cir. 1916). See also *Vrooman* v. *Penhollow*, 222 F. 894, 899 (6th Cir. 1915) (reversing trial court's judgment for the defendant on infringement, but barring award of enhanced damages: "Baker cannot well be regarded as intending a willful

injury, when the trial court deemed his conduct rightful.").[10]

This Court reached the same conclusion in the context of the Fair Credit Reporting Act, holding that "evidence of subjective bad faith [cannot] support a willfulness finding * * * when the company's reading of the statute is objectively reasonable." *Safeco,* 551 U.S. at 70 n.20 (2007). Accord *McLaughlin* v. *Richland Shoe Co.*, 486 U.S. 128, 135 n.13 (1988) ("[i]f an

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[10] In asserting that the early "decisions do not suggest that deliberate or conscious wrongdoing cannot give rise to enhanced damages simply because the infringer or its counsel subsequently develops and presents a plausible (though unsuccessful) defense at trial" (U.S. Br. 24-25), the United States relies on its contention that, even if a patentee cannot show knowing infringement, the patentee may nonetheless recover enhanced damages under a distinct "bad faith" theory. U.S. Br. 25. The government relies on *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964), where the Court stated—without any citation whatsoever—that a plaintiff "could in a case of willful or bad-faith infringement recover punitive or 'increased' damages under the statute's trebling provision." *Id.* at 508. But *Aro* had nothing to do with enhanced damages; the Court merely listed, in the general sense, possible remedies for patent infringement. The use of the word "or" in that context does not, as the government asserts, fundamentally alter the circumstances in which enhanced damages are appropriate. It surely provides no basis for an entirely separate theory of liability not reflected in any prior cases.

Moreover, if enhanced damages could be established via a mechanism *other* than willful infringement, then Section 298 would be largely meaningless—its disallowance of lack-of-opinion-of-counsel evidence could be circumvented if a patentee recasts a "willfulness" argument as one asserting "bad faith."

employer acts reasonably in determining its legal obligation, its action cannot be deemed willful").[11]

That principle also has the important substantive effect of enabling a defendant to defeat an enhanced damages claim pretrial by showing that a defense of non-infringement or patent invalidity was objectively reasonable. An objective reasonableness defense plays a key role in preventing coercive settlements. Indeed, the National Research Council, assessing the pre-*Seagate* standard that turned entirely on the defendant's state of mind, concluded that reforming that standard—to eliminate its "depend[ence] on the assessment of a party's state of mind at the time of the alleged infringement"—would "increase predictability of patent dispute outcomes and reduce the cost of litigation without substantially affecting the underlying principles that these aspects of the enforcement system were meant to promote." *NRC Report* at 117-18.

The United States asserts that the defendant must be aware of the objectively reasonable defense at the time of the alleged infringement. U.S. Br. 29-31. But that turns the notion of *objective* reasonableness on its head: the question is not what the defendant *subjectively* believed, but rather the objective legal conclusions supported by the actual facts,

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[11] Importantly, there is no shortage of judicial decisions finding defenses objectively unreasonable. See, *e.g.*, *Powell* v. *Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1237 (Fed. Cir. 2011) ("We detect no error in the district court's determination that the objective prong of the willful infringement inquiry was met despite the denial of the preliminary injunction requested by Mr. Powell.").

whether or not known by the defendant. Cf. *Harlow* v. *Fitzgerald*, 457 U.S. 800, 816-817 (1982) (subjective belief irrelevant to objective reasonableness standard for official immunity).

Finally, even if reckless conduct by itself were sufficient to support enhanced damages—and actual knowledge were not required—then proof of objective reasonableness would of course be a defense. A defendant's actions could not qualify as reckless if they were objectively reasonable.

4. *Enhanced damages are limited to highly culpable infringement and may not be awarded for litigation misconduct.*

The United States suggests that enhanced damages are appropriate in the absence of highly culpable infringement, such as where a defendant engages in litigation misconduct. U.S. Br. 20.

The government does not cite a single example of a pre-1952 case in which enhanced damages were awarded in the absence of knowing infringement, and we are not aware of one. That in itself requires rejection of the government's argument.

Moreover, as the United States admits (Br. at 21 n.19), the Patent Act provides a separate mechanism for addressing such abuses—fee-shifting under Section 285. See *Octane Fitness*, 134 S. Ct. at 1756 (attorneys' fees are available in a case "that stands out from others with respect to * * * the unreasonable manner in which the case was litigated"). And attorneys' fees are a more appropriate measure of redressing such wrongdoing than a multiple of the compensatory damages award—which may bear no relation to harm inflicted by litigation misconduct.

The government's argument is especially inappropriate because such misconduct can be committed by *either* a plaintiff or a defendant—but Section 284 enhanced damages are available only from defendants. It would be odd to supply a court with such asymmetrical authority as a means to police litigation misconduct.

5. *An expansive enhanced damages standard cannot be justified on compensation grounds.*

Petitioners and their *amici* contend that reducing the standard is necessary to fully compensate a patentee for infringement. See, *e.g.*, Stryker Br. 30, 42-43; Halo Br. 17; Nokia Br. 8-13. That submission is incorrect for two reasons.

First, this Court has consistently characterized enhanced damages as "punitive." *Florida Prepaid Postsecondary Educ. Expense Bd.* v. *Coll. Sav. Bank*, 527 U.S. 627, 648 (1999). "The power to inflict vindictive or punitive damages" is "not to recompense the plaintiff, but to punish the defendant." *Seymour*, 57 U.S. at 489.

Second, other provisions of the statute ensure that a plaintiff is fully compensated.

Section 284 of the Patent Act entitles the patentee to recover "damages" incurred as a result of infringement: the "pecuniary loss [it] suffered from the infringement, without regard to the question whether the defendant has gained or lost by his unlawful acts." *Coupe* v. *Royer*, 155 U.S. 565, 582 (1895). See also *Aro Mfg. Co.*, 377 U.S. at 507 (plurality opinion) ("[T]he present statutory rule is that only 'damages' may be recovered."). That restores the patentee to

"what his condition would have been if the infringement had not occurred." *Ibid.*

Congress abolished the common-law standard for awarding prejudgment interest and instructed that "prejudgment interest should ordinarily be awarded where necessary to afford plaintiff full compensation for the infringement." *Devex*, 461 U.S. at 654. And it provided for awards of attorneys' fees to prevailing parties in "exceptional" cases. *Octane*, 134 S. Ct. at 1753. Finally, in cases where the infringement is ongoing and where monetary damages are inadequate, Congress authorized patentees to seek injunctive relief. See *eBay, Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). Together, these provisions ensure that patentees will recover "full compensation for 'any damages' [] suffered as a result of the infringement." *Devex*, 461 U.S. at 654-655.[12]

To the extent enhanced damages were needed for limited compensatory purposes more than a century ago (see, *e.g.*, Stryker Br. 30; Nokia Br. 8-13), it was because a patentee's recovery was then limited to a defendant's actual profits, which could result in insufficient compensation to a patentee. See *Birdsall* v. *Coolidge*, 93 U.S. 64, 69 (1876). But subsequent changes to the patent laws have obviated this rationale. Congress has "eliminate[d] the recovery of profits as such" (*Aro*, 377 U.S. at 505) and allows full recovery of damages, which must "in no event be less

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[12] In *Teese* v. *Huntingdon*, 64 U.S. 2, 9 (1859), the Court suggested that enhanced damages could remedy legal costs, but the later enactment of an express fee-shifting mechanism negates this use of enhanced damages.

than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. § 284.

There simply is no basis for expanding Section 284 enhanced damages on the theory that they are needed to provide full compensation to injured patentees.

C. Close Judicial Supervision Of Enhanced Patent Damages Is Essential To Prevent Abuse.

The potential magnitude of enhanced damages awards requires careful judicial supervision of the relevant determinations in two principal respects. The Court should reaffirm Section 284's express assignment to judges, not juries, of the determination whether multiple damages are appropriate as well as the decision regarding the amount of the multiplier. And the decision to enhance damages in a particular case should be subject to *de novo* review on appeal.

1. The judge, not jury, determines willfulness.

The Patent Act expressly vests the district court with authority to award enhanced damages, providing that "*the court* may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284 (emphasis added); compare *ibid.* (a court may award compensatory damages to a patentee only "[w]hen the damages are not found by a jury").

This Court recognized long ago that "the Patent Act of 1836 confines the jury to the assessment of 'actual damages.' The power to inflict vindictive or punitive damages is committed to the discretion and judgment of the court." *Seymour*, 57 U.S. at 489. See also *Day* v. *Woodworth*, 54 U.S. 363, 372 (1851) ("The

only instance where this power of increasing the 'actual damages' is given by statute is in the patent laws of the United States. But there it is given to the court and not to the jury.").

The Federal Circuit nonetheless holds that the subjective element of the enhanced damages inquiry must be put to the jury. See, *e.g.*, *Bard Peripheral Vascular* v. *W.L. Gore & Assocs.*, 682 F.3d 1003 (Fed. Cir. 2012); *Powell* v. *Home Depot*, 663 F.3d at 1236 ("the question of willfulness" is for the "jury"). But the Federal Circuit has never explained how these rulings can be squared with the statutory language and this Court's precedents.[13]

To be sure, willfulness determinations often involve disputed questions of fact. But it is hardly surprising that, in some aspects of patent litigation, a judge, rather than the jury, will resolve certain factual disputes. That was the very premise of the Court's recent decision in *Teva Pharmaceuticals USA, Inc.* v. *Sandoz, Inc.*, 135 S. Ct. 831 (2015), which addressed a district court's resolution of disputed factual questions in the context of claim construction.

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[13] Section 284's allocation of the enhancement determination to the court does not run afoul of the Seventh Amendment. Because there is no history of judges deciding questions relating to enhanced patent damages (see John B. Pegram, *The Willful Patent Infringement Dilemma and the 7th Amendment*, 86 J. Pat. & Trademark Off. Soc'y 271, 280 (2004)), the willfulness inquiry need not "fall to the jury in order to preserve the substance of the common-law right as it existed in 1791." *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996).

2. A district court's decision to award enhanced damages should be reviewed de novo.

Careful judicial scrutiny is also necessary at the appellate stage. A district court's ultimate legal conclusion regarding enhancement—whether enhancement is warranted in light of the particular factual record—is a question of law subject to *de novo* review. Cf. *Teva Pharm.*, 135 S. Ct. at 838 ("the ultimate issue of the proper construction of a claim should be treated as a question of law"); *id.* at 839 ("the Federal Circuit will continue to review *de novo* the district court's ultimate interpretation of the patent claims").[14]

Contrary to the assertion by the United States (U.S. Br. 33-34), this Court's decision in *Highmark Inc.* v. *Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014), does not support an abuse of discretion standard. The United States contends that there is a textual commitment of this authority to the district court (*id.* at 33)—but Section 284, unlike Section 285, does not cast the circumstances in which enhanced damages are warranted as "exceptional" or any other term that connotes such a broad grant of discretion.

The United States also points (*ibid.*) to *Highmark*'s recognition that a judge experiences a case

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[14] To be sure, as was the case in *Teva*, Federal Rule of Civil Procedure 52(a)(6) likely establishes a "clear error" standard for *factual* determinations underlying a decision to award enhanced damages. *Teva Pharm.*, 135 S. Ct. at 835. But the *ultimate* question of whether enhancement is warranted in a particular case is a legal question—like the ultimate question of claim construction—and is therefore subject to *de novo* review.

"over a prolonged period of time." But the enhanced damages question focuses on the conduct of the party with respect to infringement, not conduct in the litigation. The award of enhanced damages is not, as is the case with attorneys' fees, an aspect of "supervision of litigation." *Pierce* v. *Underwood*, 487 U.S. 552, 559 n.1 (1988).

Rather, the question with respect to enhanced damages turns upon an assessment of subjective misconduct and objective reasonableness. See pages 22-30, *supra*. It therefore implicates the application of fact to law that is traditionally subject to *de novo* review. See *Lilly* v. *Virginia*, 527 U.S. 116, 148 (1999) (Rehnquist, C.J., concurring). And *de novo* review is critical to "unify precedent" (*Ornelas* v. *United States*, 517 U.S. 690, 697 (1996)) and to establish "doctrinal coherence" (*Salve Regina Coll.* v. *Russell*, 499 U.S. 225, 231 (1991)), so that parties can have some degree of clarity as to the circumstances in which enhanced damages are appropriate.

Moreover, the magnitude of an award of enhanced damages is in virtually every case dramatically greater than the amount of Section 285 attorneys' fees. *Bard Peripheral Vascular* is a clear example: after the jury awarded more than $185 million in compensatory damages, the district court *doubled* that amount as enhanced damages. *Bard Peripheral Vascular, Inc.* v. *W.L. Gore & Assoc.*, 670 F.3d 1171, 1191 (Fed. Cir. 2012). These "substantial consequences" lead one to "expect" enhancement decisions "to be reviewed more intensively" on appeal. *Pierce*, 487 U.S. at 563.

The punitive nature of enhanced damages also weighs in favor of *de novo* review. Because punitive

damages are, at bottom, "quasi-criminal," this Court has held that they should be reviewed "*de novo*" in assessing compliance with constitutional limits. *Cooper Indus., Inc.* v. *Leatherman Tool Grp., Inc.*, 532 U.S. 424, 432-36 (2001). For the same reasons, a court's determination whether the factual circumstances of a particular case warrant enhanced damages should be reviewed *de novo*.

CONCLUSION

The judgments of the court of appeals should be affirmed.

Respectfully submitted.

ANDREW J. PINCUS
Counsel of Record
PAUL W. HUGHES
Mayer Brown LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000
apincus@mayerbrown.com

Counsel for Amicus Curiae

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